

CITY OF PRIMGHAR  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2009

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CITY OF PRIMGHAR

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
James Thompson	Mayor	January, 2012
Kurt Edwards	Mayor Pro tem	January, 2012
Clara Black	Council Member	January, 2010
Glen Schueller	Council Member	January, 2010
Don Steffens	Council Member	January, 2010
Bob Schall	Council Member	January, 2012
Dee Ann Lansink	City Clerk/Treasurer	Indefinite
Bruce Green	Attorney	Indefinite

HUNZELMAN, PUTZIER & CO., PLC  
CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.  
RICHARD R. MOORE, C.P.A.  
WESLEY E. STILLE, C.P.A. (RETIRED)  
KENNETH A. PUTZIER, C.P.A. (RETIRED)  
W.J. HUNZELMAN, C.P.A. 1921-1997

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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council  
Primghar, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of City of Primghar, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of City of Primghar's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2008.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2008, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of City of Primghar, Iowa, as of June 30, 2009, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2009, on our consideration of City of Primghar's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Budgetary comparison information on pages 19 and 20 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

City of Primghar, Iowa, has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Primghar's basic financial statements. Other supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2008, as discussed in the third paragraph, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

December 14, 2009

*Hunzelman, Butzier & Co.*

CITY OF PRIMGHAR  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

Exhibit A

	Disbursements	Program Receipts		Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental Activities:						
Public safety	\$ 134,127	\$ 64,918	\$ 23,839	\$ (45,370)	\$ -	\$ (45,370)
Public works	149,121	4,723	80,993	(63,405)	-	(63,405)
Health and social services	50,250	-	-	(50,250)	-	(50,250)
Culture and recreation	206,249	79,641	25,666	(100,942)	-	(100,942)
Community and economic development	98,081	15,288	2,506	(80,287)	-	(80,287)
General government	27,831	-	-	(27,831)	-	(27,831)
Debt service	36,408	-	-	(36,408)	-	(36,408)
Total governmental activities	<u>702,067</u>	<u>164,570</u>	<u>133,004</u>	<u>(404,493)</u>	<u>-</u>	<u>(404,493)</u>
Business type activities:						
Water	136,364	146,974	-	-	10,610	10,610
Sewer	133,513	159,301	-	-	25,788	25,788
Electric	862,982	864,858	-	-	1,876	1,876
Telecom	87,463	138,174	-	-	50,711	50,711
Garbage	53,580	59,390	-	-	5,810	5,810
Total business type activities	<u>1,273,902</u>	<u>1,368,697</u>	<u>-</u>	<u>-</u>	<u>94,795</u>	<u>94,795</u>
Total	<u>\$ 1,975,969</u>	<u>\$ 1,533,267</u>	<u>\$ 133,004</u>	<u>(404,493)</u>	<u>94,795</u>	<u>(309,698)</u>
General Receipts:						
Property tax levied for:						
General purposes				148,077	-	148,077
Debt service				37,556	-	37,556
Tax increment financing				131,608	-	131,608
Local option sales tax				94,500	-	94,500
Unrestricted interest on investments				11,298	29,181	40,479
Transfers				50,794	(50,794)	-
Total general receipts and transfers				<u>473,833</u>	<u>(21,613)</u>	<u>452,220</u>
Change in cash basis net assets				69,340	73,182	142,522
Cash basis net assets beginning of year				<u>255,987</u>	<u>1,337,420</u>	<u>1,593,407</u>
Cash basis net assets end of year				<u>\$ 325,327</u>	<u>\$ 1,410,602</u>	<u>\$ 1,735,929</u>

(continued)

CITY OF PRIMGHAR  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

Exhibit A  
(continued)

	<u>Program Receipts</u>			<u>Net (Disbursements) Receipts and Changes in Cash Basis Net Assets</u>	
	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Cash Basis Net Assets					<u>Total</u>
Restricted:					
Streets				\$ 3,797	\$ - \$ 3,797
Tax increment financing projects				122,071	- 122,071
Debt service				9,140	513,630 522,770
Other purposes				252,024	- 252,024
Unrestricted				(61,705)	896,972 835,267
				<u>\$ 325,327</u>	<u>\$ 1,410,602</u> <u>\$ 1,735,929</u>

See notes to financial statements.

CITY OF PRIMGHAR  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

Exhibit B

		Special Revenue				
	General	Road Use	Tax Increment Financing	Randolph Expendable Trust	Nonmajor	Total
Receipts:						
Property taxes	\$ 98,155	\$ -	\$ -	\$ -	\$ 87,478	\$ 185,633
Tax increment financing	-	-	131,608	-	-	131,608
Other city tax	-	-	-	-	94,500	94,500
License and permits	2,904	-	-	-	-	2,904
Use of money and property	25,041	-	1,504	18,321	616	45,482
Intergovernmental	16,294	73,926	-	-	-	90,220
Charges for service	82,123	-	-	-	-	82,123
Miscellaneous	84,937	-	-	2,506	700	88,143
Total receipts	309,454	73,926	133,112	20,827	183,294	720,613
Disbursements:						
Operating:						
Public safety	134,127	-	-	-	-	134,127
Public works	4,241	144,880	-	-	-	149,121
Health and social services	3,000	-	-	-	47,250	50,250
Culture and recreation	206,249	-	-	-	-	206,249
Community and economic development	2,356	-	85,971	9,739	15	98,081
General government	27,831	-	-	-	-	27,831
Debt service	-	-	-	-	36,408	36,408
Total disbursements	377,804	144,880	85,971	9,739	83,673	702,067
Excess (deficiency) of receipts over disbursements	(68,350)	(70,954)	47,141	11,088	99,621	18,546
Other financing sources (uses):						
Operating transfers in	83,170	44,754	-	-	-	127,924
Operating transfers out	-	(9,206)	-	-	(67,924)	(77,130)
Total other financing sources (uses)	83,170	35,548	-	-	(67,924)	50,794
Net change in cash balances	14,820	(35,406)	47,141	11,088	31,697	69,340
Cash balances beginning of year	(76,525)	39,203	74,930	136,372	82,007	255,987
Cash balances end of year	\$ (61,705)	\$ 3,797	\$ 122,071	\$ 147,460	\$ 113,704	\$ 325,327

(continued)



CITY OF PRIMGHAR  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

Exhibit B  
(continued)

	Special Revenue					Total
	General	Road Use	Tax Increment Financing	Randolph Expendable Trust	Nonmajor	
Cash Basis Fund Balances						
Reserved for debt service	\$ -	\$ -	\$ -	\$ -	\$ 9,140	\$ 9,140
Unreserved:						
General	(61,705)	-	-	-	-	(61,705)
Special Revenue	-	3,797	122,071	147,460	71,558	344,886
Permanent	-	-	-	-	33,006	33,006
Total cash basis fund balances	<u>\$ (61,705)</u>	<u>\$ 3,797</u>	<u>\$ 122,071</u>	<u>\$ 147,460</u>	<u>\$ 113,704</u>	<u>\$ 325,327</u>

See notes to financial statements.

CITY OF PRIMGHAR  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES  
PROPRIETARY FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

Exhibit C

	Enterprise					
	Water	Sewer	Electric	Telecom	Nonmajor Garbage	Total
Operating receipts:						
Use of money and property	\$ 4,191	\$ -	\$ -	\$ -	\$ -	\$ 4,191
Charges for service	138,434	158,470	831,558	138,174	57,176	1,323,812
Miscellaneous	4,349	831	33,300	-	2,214	40,694
Total operating receipts	146,974	159,301	864,858	138,174	59,390	1,368,697
Operating disbursements:						
Business type activities	136,364	71,481	699,887	300	53,580	961,612
Excess of operating receipts over operating disbursements	10,610	87,820	164,971	137,874	5,810	407,085
Non-operating receipts (disbursements)						
Interest on investments	3,391	1,147	20,379	4,206	58	29,181
Debt service	-	(62,032)	(163,095)	(87,163)	-	(312,290)
Net non-operating receipts (disbursements)	3,391	(60,885)	(142,716)	(82,957)	58	(283,109)
Excess of receipts over disbursements	14,001	26,935	22,255	54,917	5,868	123,976
Operating transfers in	-	-	-	9,206	-	9,206
Operating transfers out	-	-	-	(60,000)	-	(60,000)
	-	-	-	(50,794)	-	(50,794)
Net change in cash balances	14,001	26,935	22,255	4,123	5,868	73,182
Cash balances beginning of year	131,406	12,631	1,012,669	178,383	2,331	1,337,420
Cash balances end of year	\$ 145,407	\$ 39,566	\$ 1,034,924	\$ 182,506	\$ 8,199	\$ 1,410,602
Cash Basis Fund Balances						
Reserved for debt service	\$ -	\$ -	\$ 403,775	\$ 109,855	\$ -	\$ 513,630
Unreserved	145,407	39,566	631,149	72,651	8,199	896,972
Total cash basis fund balances	\$ 145,407	\$ 39,566	\$ 1,034,924	\$ 182,506	\$ 8,199	\$ 1,410,602

See notes to financial statements.

CITY OF PRIMGHAR  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

City of Primghar is a political subdivision of the State of Iowa located in O'Brien County. It was first incorporated in 1888 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, general government services, and business type activities.

A. Reporting Entity

For financial reporting purposes, City of Primghar has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization, or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Joint Ventures - City of Primghar also has a 19.4% interest in Community Cable Television Agency of O'Brien County, a joint venture with the Cities of Hartley, Paullina, and Sanborn to provide cable television, telephone, and internet services. The cities participate in providing services, which is under the general management of one representative of each City Council. The City's share of equity in this organization as of June 30, 2009, is \$222,481.

Jointly Governed Organizations -The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of or appoint representatives to the following boards and commissions: O'Brien County Assessor's Conference Board, Northwest Iowa Solid Waste Agency, O'Brien County Emergency Management Commission and the O'Brien County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's non-fiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

CITY OF PRIMGHAR  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

B. Basis of Presentation – (Continued)

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The City reports the following major governmental funds:

The General Fund is the main operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Fund is used to account for road construction and maintenance.

The Tax Increment Financing Fund is used to account for urban renewal projects financed by tax increment financing.

The Randolph Expendable Trust Fund is used to account for rent receipts which are used to pay taxes, provide startup loans for new businesses, and restore the balance in the fund. The fund was originally established to be used for economic development.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's sanitary sewer system.

The Electric Fund accounts for the operation and maintenance of the City's electric system.

The Telecom Fund accounts for receipts and disbursements from the City's cable television system as maintained by Community Cable Television Agency of O'Brien County.

CITY OF PRIMGHAR  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Measurement Focus and Basis of Accounting

City of Primghar maintains its financial records on the basis of cash receipts and disbursements, and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

2. CASH

The City's deposits in banks at June 30, 2009, were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement Number 3, as amended by Statement 40.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

CITY OF PRIMGHAR  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

3. NOTES PAYABLE

Annual debt service requirements to maturity for revenue and general obligation notes are as follows:

Year Ending June 30,	General Obligation Capital Loan Notes		Revenue Capital Loan Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 35,000	\$ 4,385	\$ 186,000	\$ 118,086	\$ 221,000	\$ 122,471
2011	35,000	2,862	197,000	110,542	232,000	113,404
2012	15,000	1,283	203,000	102,285	218,000	103,568
2013	15,000	652	219,000	93,550	234,000	94,202
2014	-	-	220,000	83,883	220,000	83,883
2015-2019	-	-	818,000	295,682	818,000	295,682
2020-2024	-	-	694,000	92,107	694,000	92,107
2025-2026	-	-	112,000	5,492	112,000	5,492
Total	<u>\$ 100,000</u>	<u>\$ 9,182</u>	<u>\$ 2,649,000</u>	<u>\$ 901,627</u>	<u>\$ 2,749,000</u>	<u>\$ 910,809</u>

Revenue Notes

The City has pledged future electric customer receipts, net of specified operating disbursements, to repay \$975,000 and \$1,025,000 in electric revenue capital loan notes issued in February, 2001 and September 2004. Proceeds from the notes provided financing for construction of improvements and extensions to the electric system. The notes are payable solely from electric customer net receipts and are payable through 2016 and 2022, respectively. The total principal and interest remaining to be paid on the notes is \$2,106,940. For the current year, principal and interest paid and total customer net receipts were \$163,095 and \$164,971 respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$613,000 and \$520,000 in sewer revenue notes issued in August, 2003 and June, 2006. Proceeds from the notes provided financing for construction of improvements to the sewer utility. The notes are payable solely from sewer customer net receipts and are payable through 2023 and 2026 respectively. The total principal and interest remaining to be paid on the notes is \$1,017,847. For the current year, principal and interest paid and total customer net receipts were \$62,032 and \$87,820 respectively.

The City has pledged future telecommunication customer receipts, net of specified operating disbursements, to repay \$700,000 in telecommunication revenue capital loan notes issued in April, 2004. Proceeds from the notes provided financing for construction of improvements and extensions to the telecommunication system. The notes are payable solely from telecommunication customer net receipts and are payable through 2014. The total principal and interest remaining to be paid on the notes is \$425,840. For the current year, principal and interest paid and total customer net receipts were \$87,163 and \$137,874 respectively.

CITY OF PRIMGHAR  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

3. NOTES PAYABLE - (Continued)

The resolutions providing for the issuance of revenue notes include the following provisions:

- A. The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- B. Sufficient monthly transfers shall be made to separate electric, sewer, and telecommunication revenue note sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- C. The City is to establish separate Electric and Telecommunication, Principal and Interest Reserve Accounts. Sufficient monthly transfers shall be made to the electric and telecommunication reserve accounts in an amount equal to twenty five percent of the monthly sinking fund transfers until balances of \$174,454 and \$70,000 have been accumulated.
- D. Additional monthly transfers of \$1,200 to the Electric Improvement Fund shall be made until the sum of \$70,000 has been accumulated. This account is restricted for the purpose of paying for necessary repairs, improvements, and extensions to the system.

5. PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contribution to IPERS for the year ended June 30, 2009 was \$18,248 equal to the required contribution for the year.

6. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2009, primarily relating to the Enterprise Funds, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 8,678
Sick leave	<u>5,741</u>
Total	<u>\$ 14,419</u>

This liability has been computed based on rates of pay in effect at June 30, 2009.

CITY OF PRIMGHAR  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

9. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2009, is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Employee Benefit	\$ 36,466
	Local Option Sales Tax	19,151
	Emergency levy	2,553
	Enterprise:	
	Telecom	<u>25,000</u>
		<u>83,170</u>
Road Use	Special Revenue:	
	Employee Benefit	9,754
	Enterprise:	
	Telecom	<u>35,000</u>
		<u>44,754</u>
Telecom	Special Revenue:	
	Road Use	<u>9,206</u>
		<u>\$ 137,130</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

10. RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 577 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.



CITY OF PRIMGHAR  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

10. RISK MANAGEMENT- (Continued)

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2009 were \$31,316

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2009, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond the amount of \$1,000,000 and \$5,000 for all employees except the Mayor, City Clerk, and Library Treasurer which are \$45,000, respectively. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

11. DEFICIT BALANCES

The General fund had a deficit balance of \$61,705 at June 30, 2009. The deficit will be eliminated by making some budget cuts to every department financed from the General fund, utilizing available local option sales tax proceeds, and using available telecom profits.

The Special Revenue, Housing Rehabilitation Fund had a deficit balance at June 30, 2009 of \$15. This deficit will be eliminated by transfers from other funds.

12. DEVELOPMENT AGREEMENT

The City entered into a development agreement with Primghar Advancement Corporation (PAC) on May 12, 1997 to assist in urban renewal projects. The City resolved that property taxes in TIF District #2 be utilized for debt reduction on PAC loans obtained from local banks.

## REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PRIMGHAR  
BUDGETARY COMPARISON SCHEDULE OF  
RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2009

	Governmental Funds Actual	Proprietary Funds Actual	Net	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts:						
Property taxes	\$ 185,633	\$ -	\$ 185,633	\$ 176,978	\$ 176,978	\$ 8,655
Tax increment financing	131,608	-	131,608	124,000	124,000	7,608
Other city tax	94,500	-	94,500	89,120	97,120	(2,620)
Licenses and permits	2,904	-	2,904	3,225	3,225	(321)
Use of money and property	45,482	33,372	78,854	96,700	73,450	5,404
Intergovernmental	90,220	-	90,220	82,623	84,163	6,057
Charges for service	82,123	1,323,812	1,405,935	1,285,798	1,334,298	71,637
Miscellaneous	88,143	40,694	128,837	96,760	98,760	30,077
Total receipts	<u>720,613</u>	<u>1,397,878</u>	<u>2,118,491</u>	<u>1,955,204</u>	<u>1,991,994</u>	<u>126,497</u>
Disbursements:						
Public safety	134,127	-	134,127	155,368	161,268	27,141
Public works	149,121	-	149,121	108,510	169,310	20,189
Health and social services	50,250	-	50,250	45,100	52,600	2,350
Culture and recreation	206,249	-	206,249	186,610	236,580	30,331
Community and economic development	98,081	-	98,081	119,300	226,200	128,119
General government	27,831	-	27,831	32,715	34,645	6,814
Debt service	36,408	-	36,408	36,408	36,408	-
Business type activities	-	1,273,902	1,273,902	1,322,291	1,409,441	135,539
Total disbursements	<u>702,067</u>	<u>1,273,902</u>	<u>1,975,969</u>	<u>2,006,302</u>	<u>2,326,452</u>	<u>350,483</u>
Excess (deficiency) of receipts over disbursements	18,546	123,976	142,522	(51,098)	(334,458)	476,980
Other financing sources (uses), net	<u>50,794</u>	<u>(50,794)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	69,340	73,182	142,522	(51,098)	(334,458)	476,980
Balance, beginning of year	<u>255,987</u>	<u>1,337,420</u>	<u>1,593,407</u>	<u>1,226,283</u>	<u>1,593,407</u>	<u>-</u>
Balance, end of year	<u>\$ 325,327</u>	<u>\$ 1,410,602</u>	<u>\$ 1,735,929</u>	<u>\$ 1,175,185</u>	<u>\$ 1,258,949</u>	<u>\$ 476,980</u>

See accompanying independent auditor's report.

CITY OF PRIMGHAR  
NOTES TO REQUIRED SUPPLEMENTARY  
INFORMATION - BUDGETARY REPORTING  
JUNE 30, 2009

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$320,150. The budget amendments are reflected in the final budgeted amounts.

## SUPPLEMENTARY INFORMATION

CITY OF PRIMGHAR  
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

Schedule 1

	Special Revenue					Permanent	
	Employee	Emergency	Local Option Sales Tax	Housing Rehabilitation	Debt Service	Cemetery Perpetual Care	Total
	Benefits						
Receipts:							
Property taxes	\$ 47,369	\$ 2,553	\$ -	\$ -	\$ 37,556	\$ -	\$ 87,478
Other city tax	-	-	94,500	-	-	-	94,500
Use of money and property	-	-	616	-	-	-	616
Miscellaneous	-	-	-	-	-	700	700
Total receipts	<u>47,369</u>	<u>2,553</u>	<u>95,116</u>	<u>-</u>	<u>37,556</u>	<u>700</u>	<u>183,294</u>
Disbursements:							
Health and social services	-	-	47,250	-	-	-	47,250
Community and economic development	-	-	-	15	-	-	15
Debt service	-	-	-	-	36,408	-	36,408
Total disbursements	<u>-</u>	<u>-</u>	<u>47,250</u>	<u>15</u>	<u>36,408</u>	<u>-</u>	<u>83,673</u>
Excess (deficiency) of receipts over disbursements	47,369	2,553	47,866	(15)	1,148	700	99,621
Other financing uses:							
Operating transfers out	<u>(46,220)</u>	<u>(2,553)</u>	<u>(19,151)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(67,924)</u>
Net change in cash balances	1,149	-	28,715	(15)	1,148	700	31,697
Cash balances beginning of year	<u>7,144</u>	<u>-</u>	<u>34,565</u>	<u>-</u>	<u>7,992</u>	<u>32,306</u>	<u>82,007</u>
Cash balances end of year	<u>\$ 8,293</u>	<u>\$ -</u>	<u>\$ 63,280</u>	<u>\$ (15)</u>	<u>\$ 9,140</u>	<u>\$ 33,006</u>	<u>\$ 113,704</u>
Cash Basis Fund Balances							
Unreserved:							
Special Revenue	\$ 8,293	\$ -	\$ 63,280	\$ (15)	\$ -	\$ -	\$ 71,558
Debt service	-	-	-	-	9,140	-	9,140
Permanent	-	-	-	-	-	33,006	33,006
Total cash basis fund balances	<u>\$ 8,293</u>	<u>\$ -</u>	<u>\$ 63,280</u>	<u>\$ (15)</u>	<u>\$ 9,140</u>	<u>\$ 33,006</u>	<u>\$ 113,704</u>

See accompanying independent auditor's report

CITY OF PRIMGHAR  
SCHEDULE OF INDEBTEDNESS  
YEAR ENDED JUNE 30, 2009

Schedule 2

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance Beginning Of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End Of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
General obligation capital loan notes:									
Water well	July 1, 2001	4.70-4.90%	\$ 145,000	\$ 55,000	\$ -	\$ 15,000	40,000	\$ 2,645	\$ -
Pool improvement	November 1, 2003	3.45-4.35	120,000	75,000	-	15,000	60,000	2,963	-
			<u>\$ 265,000</u>	<u>\$ 130,000</u>	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ 100,000</u>	<u>\$ 5,608</u>	<u>\$ -</u>
Revenue capital loan notes:									
Electric	February 1, 2001	5.15-5.60	\$ 975,000	\$ 610,000	\$ -	\$ 65,000	\$ 545,000	\$ 32,845	\$ -
Sewer	August 5, 2003	3.00	613,000	322,000	-	17,000	305,000	9,660	-
Telecommunications	April 4, 2004	3.20-4.15	700,000	450,000	-	70,000	380,000	16,762	-
Electric	September 15, 2004	3.60-5.50	1,025,000	965,000	-	15,000	950,000	49,450	-
Sewer	June 6, 2006	3.00	520,000	487,000	-	18,000	469,000	14,610	-
			<u>\$ 3,833,000</u>	<u>\$ 2,834,000</u>	<u>\$ -</u>	<u>\$ 185,000</u>	<u>\$ 2,649,000</u>	<u>\$ 123,327</u>	<u>\$ -</u>

See accompanying independent auditor's report.

CITY OF PRIMGHAR  
NOTE MATURITIES  
JUNE 30, 2009

Schedule 3

Year Ending June 30	General Obligation Capital Loan Notes				Revenue Capital Loan Notes										Total
	Water Well Issued July 1, 2001		Pool Improvement Issued November 1, 2003		Electric Issued February 1, 2001		Sewer Issued August 5, 2003		Telecommunications Issued April 1, 2004		Electric Issued September 15, 2004		Sewer Issued June 6, 2006		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2010	4.80 %	\$ 20,000	3.75 %	\$ 15,000	5.20 %	\$ 65,000	3.00 %	\$ 18,000	3.45 %	\$ 70,000	3.85 %	\$ 15,000	3.00 %	\$ 18,000	\$ 221,000
2011	4.90	20,000	4.00	15,000	5.30	70,000	3.00	18,000	3.65	75,000	4.05	15,000	3.00	19,000	232,000
2012	-	-	4.20	15,000	5.35	75,000	3.00	19,000	3.80	75,000	4.25	15,000	3.00	19,000	218,000
2013	-	-	4.35	15,000	5.40	80,000	3.00	20,000	4.00	80,000	4.40	20,000	3.00	19,000	234,000
2014	-	-	-	-	5.45	80,000	3.00	20,000	4.15	80,000	4.55	20,000	3.00	20,000	220,000
2015	-	-	-	-	5.50	85,000	3.00	21,000	-	-	4.70	25,000	3.00	20,000	151,000
2016	-	-	-	-	5.60	90,000	3.00	21,000	-	-	4.85	25,000	3.00	21,000	157,000
2017	-	-	-	-	-	-	3.00	22,000	-	-	5.00	120,000	3.00	22,000	164,000
2018	-	-	-	-	-	-	3.00	23,000	-	-	5.10	125,000	3.00	22,000	170,000
2019	-	-	-	-	-	-	3.00	23,000	-	-	5.20	130,000	3.00	23,000	176,000
2020	-	-	-	-	-	-	3.00	24,000	-	-	5.30	140,000	3.00	24,000	188,000
2021	-	-	-	-	-	-	3.00	25,000	-	-	5.40	145,000	3.00	24,000	194,000
2022	-	-	-	-	-	-	3.00	25,000	-	-	5.50	155,000	3.00	26,000	206,000
2023	-	-	-	-	-	-	3.00	26,000	-	-	-	-	3.00	26,000	52,000
2024	-	-	-	-	-	-	-	-	-	-	-	-	3.00	54,000	54,000
2025	-	-	-	-	-	-	-	-	-	-	-	-	3.00	55,000	55,000
2026	-	-	-	-	-	-	-	-	-	-	-	-	3.00	57,000	57,000
		<u>\$ 40,000</u>		<u>\$ 60,000</u>		<u>\$ 545,000</u>		<u>\$ 305,000</u>		<u>\$ 380,000</u>		<u>\$ 950,000</u>		<u>\$ 469,000</u>	<u>\$ 2,749,000</u>

See accompanying independent auditor's report.



HUNZELMAN, PUTZIER & CO., PLC  
CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.  
RICHARD R. MOORE, C.P.A.  
WESLEY E. STILLE, C.P.A. (RETIRED)  
KENNETH A. PUTZIER, C.P.A. (RETIRED)  
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Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance with Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council  
Primghar, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of City of Primghar, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated December 14, 2009. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2008. Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Primghar's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of City of Primghar's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Primghar's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of City of Primghar's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by City of Primghar's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies, and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items I-A-09 and I-B-09 are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Primghar's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Primghar's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit City of Primghar's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of City of Primghar, and other parties to whom City of Primghar may report. This report is not intended to be and should not be used by anyone other than these specified parties.

December 14, 2009

*Hungelman, Pautzger & Co.*

CITY OF PRIMGHAR  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

- I-A-09    Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that bank deposits, opening mail, recording receipts and disbursements, checks and payroll preparation, and bank reconciliations are all handled by either of two individuals.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response - The City's Administrative Policy of Internal Control and Investment Policy are strictly adhered to for maximum internal control. Staff also strictly adheres to all CMS/INCODE balancing procedures for financial, payroll, and utility billing software components. Segregation of duties is difficult for an office staff of two; however, knowledgeable staff faithfully perform all job duties/requirements. Additionally, staff has initiated their own "self internal controls" for added assurances.

Conclusion - Response accepted.

- I-B-09    Financial Reporting - We noted that while management is capable of preparing accurate financial statements that provide information sufficient for City council members to make management decisions, reporting financial data reliably in accordance with an other comprehensive basis of accounting (OCBOA) requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management presently lacks the qualifications and training to appropriately fulfill these responsibilities, which is a common situation in small entities.

Recommendation - Obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in the ability to prepare and take responsibility for reliable OCBOA financial statements.

Response - Staff plans to read/learn and attend Iowa Municipal Professionals Institute and Academy, Iowa League of Cities Municipal Leadership Academy, and local workshops/classes to gain any new information for preparing OCBOA financial statements.

Conclusion - Response accepted.

CITY OF PRIMGHAR  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Financial Statements-(Continued)

SIGNIFICANT DEFICIENCIES-(Continued)

- I-C-09    Separately Maintained Records – The bookkeeping and custody of the Library Board and Fire Department records are in the control of the Library Board and Fire Department personnel and are not included in the City's financial records. These are not separate non-profit corporations, but are departments of the City. Chapter 384.20 of the Iowa Code states in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose, by any officer, employee or other person, and which show the receipt, use, and disposition of all city property. Public moneys may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation – These funds should be included in the City's financial records and any disbursements should be budgeted and properly supported by adequate documentation of public purpose.

Response – The City Clerk along with the library and fire department treasurers will coordinate efforts to create and maintain an excel spreadsheet to generate required quarterly reports for Council approval. Pre-numbered receipts will be utilized. Substantiating documentation will accompany all disbursements.

Conclusion – Response acknowledged, however, the City is required to budget, and the City Council is required to approve, all expenditures of public monies. If it is determined that part or all of the funds currently maintained by the Library Board and Fire Department are public monies, the proper procedures for budgeting and approval should be followed.

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-09    Certified Budget - Disbursements during the year ended June 30, 2009 exceeded the amounts budgeted in the Public Works function prior to the April 13, 2009 budget amendment. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The City will ensure that in the future, should proposed expenditures exceed the current budget, the budget will be amended prior to the expenditures.

Conclusion – Response accepted.

- II-B-09    Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-09    Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

CITY OF PRIMGHAR  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2009

Part II: Other Findings Related to Statutory Reporting: - (Continued)

II-D-09 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Kurt Edwards, Council Member, owner of Nicholson and Edwards	Diesel fuel/Chemicals	\$2,505
Clara Black, Council Member, husband owns Black's Farm Store	Supplies	\$275

In accordance with Chapter 362.5(11) of the Code of Iowa, the transactions with the Council Member's husband do not appear to represent a conflict of interest since the total transactions were less than \$2,500 during the fiscal year. The remaining transactions between the City and Nicholson and Edwards may represent a conflict of interest since the cumulative amounts were more than \$2,500 during the fiscal year.

Recommendation - The City should review those transactions closely and may want to consult their attorney to determine that they are in compliance with the Code of Iowa.

Response - Nicholson & Edwards - In accordance with Chapter 362-5(11), all purchases of chemicals or diesel fuel were made according to lowest bid. Also, the council member refrains from motioning approval of these claims.

Conclusion - Response accepted.

II-E-09 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-09 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-09 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the City's investment policy were noted.

II-H-09 Revenue Notes - No instances of non-compliance with the revenue bond and note resolutions were noted.

CITY OF PRIMGHAR  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2009

Part II: Other Findings Related to Statutory Reporting: - (Continued)

- II-I-09 Excess Balances - The following fund has a balance at June 30, 2009, which is in excess of one year's expenditures:

Special Revenue - Randolph Expendable Trust

Recommendation - While it appears that this fund may have an excessive balance, this can usually be justified if the City has a specific plan for future expenditures. The City should consider the necessity of maintaining this substantial balance and, where financially feasible, consider reducing the balance in an orderly manner through revenue reductions.

Response - The City will monitor future budgets to comply with Iowa Code section 384.18(1) to ensure that unexpended cash balances are properly utilized for their specific purpose or that the revenue reductions are sought for these specific balances.

Conclusion - Response accepted.

- II-J-06 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation - The City should obtain and retain an image of both the front and back of each cancelled check as required.

Response - Starting in December, 2009, the City is now receiving images of both the front and back of the cancelled checks.

Conclusion - Response accepted.

- II-K-09 Financial Condition - At June 30, 2009, the City had deficit balances in the General Fund, and the Special Revenue - Housing Rehabilitation fund of \$61,705 and \$15, respectively.

Recommendation - The City should investigate alternatives to eliminate these deficits in order to return the funds to a sound financial condition.

Response - The City will investigate alternatives to eliminate these deficits in order to return the funds to a sound financial condition.

Conclusion - Response accepted.